

Message Text

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PAGE 01 CARACA 03900 082247 Z

61

ACTION H-03

INFO OCT-01 ARA-10 ADP-00 SS-02 NSC-06 AID-01 RSC-01 RSR-01

/025 W

----- 008893

R 081949 Z MAY 73

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9730

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

LIMITED OFFICIAL USE CARACAS 3900

E. O. 11652: N/A

TAGS: EFIN VE

SUBJECT: OPIC PROGRAMS IN VENEZUELA - CODEL CULVER

REF: STATE 73002

FOR OPIC

1. IN PREPARATION FOR VISIT MAY 3-5 CONGRESSMEN WHALEN AND RYAN INVESTIGATING OPIC IN VENEZUELA, EMBOFF DISCUSSED IMPORTANCE VENEZUELA PLACES ON INSURANCE GUARANTEE PROGRAM WITH DIRECTOR GENERAL CORDIPLAN DR. ANTONIO LOPEZ ACOSTA . HIS ATTITUDE SIMILAR TO THAT OF DIRECTOR OF INDUSTRIES, DR. C. G. CORDIDO VALERY (REPORTED CARACAS 2938) THAT OPIC OF VERY MARGINAL IMPORTANCE TO VENEZUELA ECONOMIC DEVELOPMENT AND OBSERVED THAT: (1) PROPORTION OF TOTAL U. S. FOREIGN INVESTMENT INSURED BY OPIC IN THIS COUNTRY IS VERY LOW; (2) DURING TIME PROGRAM HAS BEEN IN OPERATION HERE, OPIC OR AID HAS NOT HAD TO PAY ANY CLAIMS; (3) IN FEW CASES IN WHICH NATIONALIZATION HAS TAKEN PLACE (UTILITIES NOT INSURED) THERE HAVE BEEN NO CLAIMS OF UNJUST COMPENSATION.

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2. LOPEZ ACOSTA SAID GOVERNMENT WOULD NOT AGREE TO FORMAL PROCEDURE FOR SETTLEMENT OF DISPUTES (ESPECIALLY IN ELECTION YEAR) THAT INVOLVED INTERNATIONAL ARBITRATION OR SUBROGATION OF RIGHTS BECAUSE THIS WOULD BE IN VIOLATION OF VENEZUELAN CONSTITUTION AS WELL AS ARTICLE 51 OF DECISION 24 OF ANDEAN PACT. HE ADDED THAT IF POTENTIAL INVESTORS FELT IT NECESSARY TO OBTAIN INSURANCE FROM OPIC, IT SHOULD BE BASED SOLELY ON BUSINESS ARRANGEMENT BETWEEN OPIC AND INVESTOR AND NOT INVOLVE GOV.

3. THRUST OF LOPEZ ACOSTA' S REMARKS REITERATED TO CONGRESSMEN WHALEN AND RYAN BY DR. ANTONIO CASAS GONZALEZ, CHIEF OF CORDIPLAN, AND BY OTHER VENEZUELAN GOVERNMENT OFFICIALS DURING COURSE OF LUNCHEON GIVEN BY AMBASSADOR IN HONOR OF CONGRESSMEN MAY 4. CASAS EMPHASIZED LOW PROPORTION OF INVESTMENT INSURED AS WELL AS LACK OF NEED FOR INSURANCE IN COUNTRY SUCH AS VENEZUELA. DR. JOSE ANTONIO MAYOBRE, FORMER MINISTER OF FINANCE AND PRESENTLY HEAD OF NEW STEEL BRIQUETTING OPERATING SEEKING PARTICIPATION OF LUKENS STEEL, NOTED THAT WHILE OPIC NOT IMPORTANT IN MAGNITUDE OF ITS OPERATIONS IN VENEZUELA, SOME U. S. COMPANIES WOULD NOT INVEST ABROAD WITHOUT IT.

4. REPRESENTATIVES OF EIGHT FIRMS WHO HAVE OPIC INSURANCE MET WITH CONGRESSMEN MAY 5, AND EXPRESSED POSITION SIMILAR TO MAYOBRE THAT, WHILE NOT IMPORTANT TO OVERALL DEVELOPMENT, INSURANCE NECESSARY TO OBTAIN APPROVAL BY SOME U. S. BOARDS OF DIRECTORS. IN RESPONSE TO QUESTION, SOME REPRESENTATIVES OF U. S. SUBSIDIARIES INCLUDING FORD SAID THEY ASSUMED THAT THEIR COMPANIES COVERED AGAINST FORCED DISINVESTMENT OF DECISION 24 OF ANDEAN PACT UNDER EXPROPRIATION COVERAGE. THEY WERE NOT AS POSITIVE ABOUT LIMITATION ON PROFIT REMITTANCE BEING COVERED BY INSURANCE AGAINST NON- CONVERTIBILITY.

5. ON MAY 3 CONGRESSMEN ATTENDED MONTHLY MEETING OF AMERICAN BUSINESSMEN AT AMBASSADOR' S RESIDENCE WHERE THEY QUESTIONED GROUP ABOUT IMPORTANCE OF OPIC IN VENEZUELA. IT WAS CONSENSUS THAT OPIC PLAYED VERY MINOR ROLE IN PROMOTING INVESTMENT IN VENEZUELA SINCE, OUT OF \$2.6 BILLION BOOK VALUE INVESTMENT, ONLY \$48 MILLION INSURED. MANAGER OF AMERICAN CAN WAS ONLY REPRESENTATIVE WHOSE COMPANY HAD OPIC CONTRACT. THOMAS HUGHES, U. S. LAWYER WITH SEVERAL AMERICAN CLIENTS, SAID THUS FAR OPIC INSURANCE LIMITED OFFICIAL USE

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OF NOTHING.

6. CONGRESSMAN WHALEN SUGGESTED THAT PERHAPS OPIC INSURANCE IS A SLAP AGAINST HOST GOVERNMENT IMPLYING LACK OF STABILITY OR POOR INTENTIONS AGAINST U.S. INVESTMENT AND SUGGESTED THAT BEST COURSE MAY BE FOR OPIC TO ISSUE INSURANCE ON A UNILATERAL BASIS WITHOUT RECOURSE TO HOST COUNTRY.

7. UPON FINISHING THEIR INVESTIGATION IN VENEZUELA CONGRESSMEN AND THEIR STAFF MAN, CHARLES LEVY, CONCLUDED THAT OPIC DOES NOT PLAY SIGNIFICANT ROLE IN DEVELOPMENT HERE AND THAT PROGRAM HAD EVOLVED INTO PROGRAM DIFFERENT FROM THAT ORIGINALLY INTENDED BY CONGRESS. THEY AGREED THAT OPIC INSURANCE SHOULD NOT BE VEHICLE FOR FOREIGN INVESTOR CLAIMS AGAINST HOST COMPANY BECOMING BASIS FOR BILATERAL CONFRONTATIONS BETWEEN GOVERNMENTS. REGARDING THE QUESTION OF OPIC ASSUMING THE INSURANCE RISK UNILATERALLY, ONE POSSIBILITY WOULD BE TO RELATE THE PREMIUM TO THE RISK INVOLVED. BASED ON ASSUMPTION THAT FOREIGN INVESTMENT INVOLVING LOCAL PARTICIPATION CARRIES MUCH LESS RISK THAN INVESTMENT 100 PERCENT FOREIGN OWNED, IT WAS SUGGESTED THAT THE AMOUNT OF PREMIUM FOR EXPROPRIATION COVERAGE SHOULD BE DIRECTLY PROPORTIONAL TO PERCENTAGE OF FOREIGN OWNERSHIP. OVERALL OBJECTIVE WOULD BE TO MAKE INSURANCE ISSUANCE BY OPIC SELF SUFFICIENT BASED ON PREMIUMS ALONE WITHOUT RECOURSE TO U.S. PUBLIC FUNDS OR TO HOST COUNTRY IN EVENT OF CLAIM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
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Draft Date: 08 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: n/a
Errors: n/a
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Previous Channel Indicators:
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Previous Handling Restrictions: n/a
Reference: 73 STATE 73002
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 17 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Jan-2002 by collinp0>; APPROVED <22 FEB 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971223
Subject: OPIC PROGRAMS IN VENEZUELA -
TAGS: EFIN, OREP, VE
To: H
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005